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{ REPORT
No. 382

SBA AUTHORITY TO LEND TO SBIC'S AND STATE AND LOCAL DEVELOPMENT COMPANIES

JUNE 30 (legislative day, JUNE 29), 1965.—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking and Currency,
submitted the following

REPORT

[To accompany H. R. 7847]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 7847) to amend the Small Business Act, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of the bill is to increase by \$120 million the portion of the Small Business Administration's revolving fund which may be on loan to small business investment companies and State and local development companies pursuant to the Small Business Investment Act of 1958. This would be accomplished by raising to \$461 million the present ceiling of \$341 million contained in section 4(c) of the Small Business Act. Thus, the legislation does not appropriate or authorize the appropriation of any new funds for the Small Business Administration. It merely gives the agency authority to utilize funds already available in the revolving account.

NEED FOR LEGISLATION

The limitation which the bill would raise governs SBA programs of financial assistance to small business investment companies and to State and local development companies. Under these programs SBA purchases the subordinated debentures of small business investment companies licensed under the 1958 act, provides loan funds to such SBIC's, and makes loans to State and local development companies.

Hearings were held on the bill on June 18, 1965, at which the Small Business Administrator testified. He informed the committee that the present ceiling of \$341 million for these programs will be reached within the next few weeks. Once the statutory limitation is reached,

no further loans may be made for these programs, regardless of the amounts which SBA may have available in its revolving fund.

PROMPT ACTION ESSENTIAL

Thus, it is essential to take prompt action to increase the authorization for these programs, to prevent their coming to an abrupt halt. Such a loan cutoff, of course, even if only temporary, would adversely affect SBIC's and small firms receiving assistance from them and would block progress on local development company projects in many communities throughout the Nation.

The amount of the proposed increase is based upon SBA's projection of requirements for these programs through June 30, 1966. It is estimated that loans and commitments outstanding for such purposes would total about \$461 million by that date.

Since the enactment of the Small Business Investment Act of 1958, SBIC's have provided needed equity and long-term loan funds to small concerns in a total amount of more than \$700 million, comprising more than 15,000 investment transactions. And SBA has made over 650 loans for approximately \$87 million to local development companies in 47 States, on projects amounting to about \$129.5 million, which have generated an estimated 31,700 jobs. SBA has made 14 loans under the State development company program totaling \$10,233,750. The loans have been made to State development companies in Arkansas, New York, North Carolina, Rhode Island, and Wisconsin. The SBIC program and the local development company program at present have a substantial number of pending loan applications, and one application by a State development company for a loan is now pending.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

SECTION 4 OF THE SMALL BUSINESS ACT

SEC. 4. (a) In order to carry out the policies of this Act there is hereby created an agency under the name "Small Business Administration" (herein referred to as the Administration), which Administration shall be under the general direction and supervision of the President and shall not be affiliated with or be within any other agency or department of the Federal Government. The principal office of the Administration shall be located in the District of Columbia. The Administration may establish such branch and regional offices in other places in the United States as may be determined by the Administrator of the Administration. As used in this Act, the term "United States" includes the several States, the Territories and possessions of the United States, the Commonwealth of Puerto Rico, and the District of Columbia.

(b) The management of the Administration shall be vested in an Administrator who shall be appointed from civilian life by the President, by and with the advice and consent of the Senate, and

who shall be a person of outstanding qualifications known to be familiar and sympathetic with small-business needs and problems. The Administrator shall not engage in any other business, vocation, or employment than that of serving as Administrator. The Administrator is authorized to appoint three Deputy Administrators to assist in the execution of the functions vested in the Administration.

(c) There is hereby established in the Treasury a revolving fund, referred to in this section as "the fund", for the Administration's use in financing the functions performed under sections 7(a), 7(b), and 8(a) and under the Small Business Investment Act of 1958, including the payment of administrative expenses in connection with such functions. All repayments of loans and debentures, payments of interest, and other receipts arising out of transactions financed from the fund shall be paid into the fund. As capital thereof, appropriations not to exceed \$1,666,000,000¹ are hereby authorized to be made to the fund, which appropriations shall remain available until expended. Not to exceed an aggregate of \$1,325,000,000² shall be outstanding at any one time for the purposes enumerated in the following sections of this Act: 7(a) (relating to regular business loans), 7(b)³ (relating to disaster loans), and 8(a) (relating to prime contract authority): *Provided*, That the Administration shall report promptly to the Committees on Appropriations and the Committees on Banking and Currency of the Senate and House of Representatives whenever (1) the aggregate amount outstanding for the purposes enumerated in sections 7(a) and 8(a) exceeds \$1,222,000,000, or (2) the aggregate amount outstanding for the purpose enumerated in section 7(b)³ exceeds \$103,000,000. Not to exceed an aggregate of **[\$341,000,000]** \$461,000,000 shall be outstanding from the fund at any one time for the exercise of the functions of the Administration under the Small Business Investment Act of 1958. The Administration shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the outstanding cash disbursements from the fund, at rates determined by the Secretary of the Treasury, taking into consideration the current average yields on outstanding interest-bearing marketable public debt obligations of the United States of comparable maturities as calculated for the month of June preceding such fiscal year.

(d) There is hereby created the Loan Policy Board of the Small Business Administration, which shall consist of the following members, all ex officio: The Administrator, as Chairman, the Secretary of the Treasury, and the Secretary of Commerce. Either of the said Secretaries may designate an officer of his Department, who has been appointed by the President by and with the advice and consent of the Senate, to act in his stead as a member of the Loan Policy Board with respect to any matter or matters. The Loan Policy Board shall establish general policies (particularly with reference to the public interest involved in the granting and denial of applications for financial assistance by the Administration and with reference to the coordination of the functions of the Administration with other activities and policies of the Government), which shall govern the granting and denial of applications for financial assistance by the Administration.

¹ Being increased to \$1,716,000,000 under S. 1796, now pending before the President for his signature.

² Being increased to \$1,375,000,000 under S. 1796, now pending before the President for his signature.

³ "and 7(c)(2)" would be inserted under S. 1796, now pending before the President for his signature.

